

# Fact Sheet



U.S. Department of Labor  
Washington, DC

## WELFARE-TO-WORK GRANTS

### Background

In August 1996, the Personal Responsibility and Work Opportunity Reconciliation Act reformed the nation's welfare laws. A new system of block grants to the States for Temporary Assistance for Needy Families (TANF) was created, changing the nature and provision of welfare benefits in America.

Moving people from welfare-to-work is now one of the primary goals of federal welfare policy. The new Balanced Budget Act of 1997, signed by the President on August 5, helps to achieve that goal by authorizing the U.S. Department of Labor to provide Welfare-to-Work Grants to States and local communities to create additional job opportunities for the hardest-to-employ recipients of TANF. These grants will provide many welfare recipients with the job placement services, transitional employment, and other support services they need to make the successful progression into long-term unsubsidized employment.

### Summary of Welfare-to-Work Grants

**FUNDING:** The grants total \$3 billion: \$1.5 billion to be awarded in fiscal year 1998 and \$1.5 billion in fiscal year 1999. There will be two kinds of grants: (1) Formula Grants to States and (2) Competitive Grants to local communities. A small amount of the total grant money will also be set aside for special purposes: 1 percent for Indian tribes; 0.8 percent for evaluation; and \$100 million for performance bonuses to successful States. Grantees will have up to three years to spend the funds.

**FORMULA GRANTS TO STATES:** After reserving the special purpose funds described above, 75 percent of the grant funds will be allocated to States based on a formula that equally considers States' shares of the national number of poor individuals and adult recipients of assistance under TANF. States will be required to pass through 85 percent of the money to local Private Industry Councils (known as workforce development boards in some areas), which oversee and guide job training programs in geographical jurisdictions called service delivery areas. A State is allowed to retain 15 percent of the money for welfare-to-work projects of its choice. States must provide one dollar of non-federal funding match for every two dollars of federal funding provided under the formula.

**Substate Allocations:** Half of the funds distributed by formula to local areas must be based on a service delivery area's residents who are poor, i.e., the number of poor individuals in excess of 7.5 percent of the total population. Not more than half may be distributed based on two additional factors: (1) the number of adults receiving TANF assistance for 30 months or more and (2) the number of unemployed in the service delivery area.

**State Plan and Administration:** In order to receive formula funds, the State must submit a plan for the administration of the Welfare-to-Work grant. The Secretary of Labor must determine that the plan meets the statutory requirements. Governors are responsible for administering formula funds and for assuring that they are coordinated with funds spent under the TANF block grant.

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**Local Administration of Formula-Allocated Funds:** Private Industry Councils (workforce development boards) established under the Job Training Partnership Act, in coordination with chief elected officials, will administer the program at the local level unless the Secretary of Labor approves a Governor's request to use an alternative administering agency, after determining that the alternative would improve the effectiveness or efficiency of program administration.

**Performance Bonuses:** States may qualify for a performance bonus in fiscal year 2000 based on a formula for measuring performance that will be developed by the Secretary of Labor, in consultation with the Secretary of Health and Human Services and organizations representing States. Factors to be taken into account include job placement, duration of placement, and any increase in earnings.

**COMPETITIVE GRANTS TO LOCAL COMMUNITIES:** The 25 percent of funds not allocated by formula will be used for competitive grants awarded directly to local governments, Private Industry Councils, and private entities (such as community development corporations, community-based organizations, community action agencies, and other private organizations) who apply in conjunction with a Private Industry Council or local government. The Secretary of Labor will give special consideration to cities with large concentrations of poverty as well as to rural areas.

**FEATURES WHICH APPLY TO FORMULA AND COMPETITIVE GRANTS:**

**Allowable Uses of Funds:** Funds may be used to help move eligible individuals into long-term unsubsidized jobs using strategies like: job creation through short-term public or private sector wage subsidies; on-the-job training; contracts with public or private providers of job readiness, job placement, and post-employment services; job vouchers for similar services; community service or work experience; or job retention and supportive services (if such services are not otherwise available).

**Targeted Participant Eligibility:**

*At Least 70 Percent of the Grant Funds:* Must be spent on individuals who face two of three specified labor market deficiencies and who are long-term welfare recipients, or who face termination from TANF within 12 months; or who are noncustodial parents of minors whose custodial parent meets these criteria. Labor market deficiencies include (1) lack of high school diploma or GED and low reading or math skills, (2) requiring a substance abuse treatment for employment, and (3) a poor work history.

*Up to 30 Percent of the Grant Funds:* May be spent on individuals who are "recent" recipients of TANF assistance or noncustodial parents who have characteristics associated with long-term welfare dependence -- such as school dropout, teen pregnancy, or poor work history.

**Relationship to TANF Time Limits:** Assistance can be provided to individuals who have reached the 60-month TANF time limit. Such assistance does not count toward the 60-month limit unless it is cash assistance provided directly or through wage subsidies. In those cases, the months do count toward the 60-month limit.

**Labor Protections:** Labor protections that apply to activities carried out under the grant program include non-displacement, health and safety standards, gender non-discrimination, and grievance procedures to address violations of these protections.

**Evaluation:** The Secretary of Health and Human Services, in consultation with the Secretaries of Labor and Housing and Urban Development, will develop a plan to evaluate the grant program.